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TREASURY FOR ALIKONIS
DEPT PLS PASS USTR FOR CKLEIN/PBURKHEAD/EPORTR
USDOC FOR 4231/ITA/OEENIS/NISD/CLUCYK
USDA/FAS/OCRA FOR JFLEMINGS/DADAMS
USDA/FAS/OGA FOR ROMEARA/JLAGOS
USDA/FAS/PECAD FOR MLINDEMAN

E.O. 12958: N/A
TAGS: [ETRD](#) [EAGR](#) [WTRO](#) [UP](#)
SUBJECT: UKRAINIAN GOVT LIFTS QUOTAS ON GRAIN EXPORTS

REFS: A) 2007 KYIV 2500
B) 2007 KYIV 1790

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11. (U) Summary: The GOU announced an end to grain export restrictions, long a sore spot for grain traders and WTO members, on April 23. The GOU also announced a relaxation of restrictions on sunflower oil, although quotas on sunflower oil and seeds do remain in place. The move was likely in part to satisfy trading partners ahead of Ukraine's accession to the WTO in May. End Summary.

12. (U) Prime Minister Yuliya Tymoshenko announced at a press conference on April 23 that her government had decided to lift the country's grain export restrictions, effective immediately. (Note: The previous government first introduced restrictions on grain exports in September 2006, with modifications to the quotas subsequently put into place (reftels). End note.) Tymoshenko said that expectations of a robust grain harvest had made the decision possible.

13. (U) The GOU also announced its decision to relax restrictions on exports of sunflower oil, increasing the quota from 300,000 tons to 500,000 until July 1. Quotas on sunflower seeds remain at 1,000 tons, however.

Comment: Just in Time for WTO Accession

14. (SBU) The GOU decision came just weeks before Ukraine's scheduled entry into the WTO on May 16. The GOU had repeatedly promised WTO members that Ukraine would eliminate the grain export restrictions by the time of accession, and lead WTO negotiator Valeriy Pyatnytskiy had pushed hard within the GOU for adherence to this commitment. (Note: Sunflower oil/seed restrictions came into effect only after accession negotiations had concluded. End note.) There was probably also pressure as much of Ukraine's grain storage is full and farmers would face huge problems if there was no storage available for this year's crop. Skyrocketing world food prices, coinciding with Ukraine's own inflation problems, will continue to put pressure on the GOU to do something about food prices, however. Because export restrictions are easier to introduce than structural reforms, it is quite

possible that the GOU could seek to reintroduce grain export quotas sometime in the future, although there is no talk of this for the moment. At least by that time the GOU will have to answer to the WTO for such action. (Note: Post will report septel on the broader effects of rising world food prices on Ukraine. End note.) End comment.

TAYLOR